

# AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Keene	<b>County</b> Ionia
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> April 22, 2004	<b>Date Accountant Report Submitted to State:</b> April 22, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., P.C.</i>			

TOWNSHIP OF KEENE  
Ionia County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

RECEIVED  
DEPT. OF TREASURY

Year Ended March 31, 2004

MAY - 7 2004

TOWNSHIP OF KEENE  
Ionia County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

April 22, 2004

To the Township Board  
Township of Keene  
Ionia County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Keene, Ionia County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Keene's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Keene, Ionia County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Keene, Ionia County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF KEENE  
Ionia County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
<u>Assets</u>	<u>General</u>	<u>Agency</u>		
Cash in bank	155 099 23	37 479 16	-	192 578 39
Taxes receivable	2 883 95	-	-	2 883 95
Due from other funds	37 479 16	-	-	37 479 16
Land and improvements	-	-	31 032 78	31 032 78
Building	-	-	34 288 00	34 288 00
Equipment	-	-	17 727 79	17 727 79
Total Assets	<u>195 462 34</u>	<u>37 479 16</u>	<u>83 048 57</u>	<u>315 990 07</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	37 479 16	-	37 479 16
Total liabilities	<u>-</u>	<u>37 479 16</u>	<u>-</u>	<u>37 479 16</u>
Fund equity:				
Investment in general fixed assets	-	-	83 048 57	83 048 57
Fund balances:				
Unreserved:				
Undesignated	<u>195 462 34</u>	<u>-</u>	<u>-</u>	<u>195 462 34</u>
Total fund equity	<u>195 462 34</u>	<u>-</u>	<u>83 048 57</u>	<u>278 510 91</u>
Total Liabilities and Fund Equity	<u>195 462 34</u>	<u>37 479 16</u>	<u>83 048 57</u>	<u>315 990 07</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF KEENE  
Ionia County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	<u>General Fund</u>
Revenues:	
Property taxes	29 469 44
Licenses and permits	5 000 00
State revenue sharing	114 984 00
Charges for services:	
Property tax administration	10 273 92
Cemetery	550 00
Interest	3 125 52
Miscellaneous	<u>2 223 00</u>
Total revenues	<u>165 625 88</u>
Expenditures:	
Legislative:	
Township Board	6 530 52
General government:	
Supervisor	6 934 09
Assessor	8 213 72
Clerk	7 217 50
Board of Review	830 00
Treasurer	10 179 33
Building and grounds	10 012 79
Cemetery	5 520 00
Unallocated	3 247 64
Public safety:	
Fire protection	9 474 64
Zoning and planning	18 233 57
Ambulance	2 000 00
Public works:	
Drains	2 508 83
Highways and streets	65 826 79
Other functions:	
Retirement	2 800 32
Capital outlay	<u>13 794 78</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF KEENE  
Ionia County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B  
Page 2

	<u>General Fund</u>
Total expenditures	<u>173 324 52</u>
Excess (deficiency) of revenues over expenditures	(7 698 64)
Fund balance, April 1	<u>203 160 98</u>
Fund Balance, March 31	<u>195 462 34</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF KEENE  
Ionia County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C

Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	27 400 00	29 469 44	2 069 44
Licenses and permits	3 500 00	5 000 00	1 500 00
State revenue sharing	125 000 00	114 984 00	(10 016 00)
Charges for services:			
Property tax administration	7 000 00	10 273 92	3 273 92
Cemetery	-	550 00	550 00
Interest	2 880 00	3 125 52	245 52
Miscellaneous	<u>-</u>	<u>2 223 00</u>	<u>2 223 00</u>
Total revenues	<u>165 780 00</u>	<u>165 625 88</u>	<u>(154 12)</u>
Expenditures:			
Legislative:			
Township Board	7 141 47	6 530 52	(610 95)
General government:			
Supervisor	7 200 00	6 934 09	(265 91)
Assessor	8 400 00	8 213 72	(186 28)
Clerk	7 550 00	7 217 50	(332 50)
Board of Review	850 00	830 00	(20 00)
Treasurer	10 179 33	10 179 33	-
Building and grounds	10 700 00	10 012 79	(687 21)
Cemetery	5 520 00	5 520 00	-
Unallocated	3 470 33	3 247 64	(222 69)
Public safety:			
Fire protection	13 900 00	9 474 64	(4 425 36)
Zoning and planning	19 800 00	18 233 57	(1 566 43)
Ambulance	2 000 00	2 000 00	-
Public works:			
Drains	5 000 00	2 508 83	(2 491 17)
Highways and streets	65 826 79	65 826 79	-
Other functions:			
Retirement	2 800 32	2 800 32	-

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF KEENE  
Ionia County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Other functions: (continued)			
Contingency	179 048 23	-	(179 048 23)
Capital outlay	<u>13 794 78</u>	<u>13 794 78</u>	<u>-</u>
Total expenditures	<u>363 181 25</u>	<u>173 324 52</u>	<u>(189 856 73)</u>
Excess (deficiency) of revenues over expenditures	(197 401 25)	(7 698 64)	189 702 61
Fund balance, April 1	<u>200 201 25</u>	<u>203 160 98</u>	<u>2 959 73</u>
Fund Balance, March 31	<u>2 800 00</u>	<u>195 462 34</u>	<u>192 662 34</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF KEENE  
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Keene, Ionia County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Keene. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

TOWNSHIP OF KEENE  
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was .7601 mills, and the taxable value was \$38,728,183.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. The Township has maintained a record of its general fixed assets as required by generally accepted accounting principles.

TOWNSHIP OF KEENE  
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.

TOWNSHIP OF KEENE  
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF KEENE  
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>192 578 39</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 538 67
Uninsured and Uncollateralized	<u>92 399 36</u>
Total Deposits	<u>192 938 03</u>

The Township of Keene did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

The following is a summary of the changes in general fixed assets.

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	17 238 00	13 794 78	-	31 032 78
Building	34 288 00	-	-	34 288 00
Equipment	<u>17 727 79</u>	<u>-</u>	<u>-</u>	<u>17 727 79</u>
Totals	<u>69 253 79</u>	<u>13 794 78</u>	<u>-</u>	<u>83 048 57</u>

TOWNSHIP OF KEENE  
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

**Note 4 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>37 479 16</u>	Current Tax Collection	<u>37 479 16</u>
Total	<u>37 479 16</u>	Total	<u>37 479 16</u>

**Note 5 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 6 – Pension Plan**

The Township has a defined contribution pension plan covering the Township Board Members, assessor and zoning administrator. The Township contributes a percentage of each covered employee's wages to the plan. Each covered employee also contributes a percentage of his or her wages to the plan. The net pension expense for the fiscal year ended March 31, 2004, was \$2,800.32.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Keene issues building permits. For the year ended March 31, 2004, building permit revenues were \$2,700.00 and building permit expenses were \$2,700.00.

**Note 9 – Total Columns on Combined Statements--Overview**

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF KEENE  
Ionia County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 1

Township Board:	
Wages	3 000 00
Contracted services	1 336 15
Dues	1 316 89
Payroll taxes	607 01
Miscellaneous	<u>270 47</u>
	<u>6 530 52</u>
Supervisor:	
Wages	6 500 00
Miscellaneous	<u>434 09</u>
	<u>6 934 09</u>
Assessor:	
Contracted services	8 058 72
Miscellaneous	<u>155 00</u>
	<u>8 213 72</u>
Clerk:	
Wages	6 950 00
Miscellaneous	<u>267 50</u>
	<u>7 217 50</u>
Board of Review:	
Wages and supplies	<u>830 00</u>
Treasurer:	
Wages	8 500 00
Miscellaneous	<u>1 679 33</u>
	<u>10 179 33</u>
Building and grounds:	
Insurance	3 156 00
Mowing	150 00
Utilities	2 158 69
Repairs and maintenance	2 857 08
Miscellaneous	<u>1 691 02</u>
	<u>10 012 79</u>
Cemetery:	
Contracted services	4 100 00
Repairs and maintenance	<u>1 420 00</u>
	<u>5 520 00</u>



TOWNSHIP OF KEENE  
Ionia County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Unallocated:	
Audit and legal	<u>3 247 64</u>
Fire protection:	
Contracted services	<u>9 474 64</u>
Zoning and planning:	
Wages – Administrator	6 150 00
Supplies	2 646 38
Planning Commission wages	6 335 00
Zoning Board of Appeals – wages	150 00
Miscellaneous	<u>2 952 19</u>
	<u>18 233 57</u>
Ambulance	<u>2 000 00</u>
Drains	<u>2 508 83</u>
Highways and streets:	
Repairs and maintenance	<u>65 826 79</u>
Retirement	<u>2 800 32</u>
Capital outlay	<u>13 794 78</u>
Total Expenditures	<u>173 324 52</u>

TOWNSHIP OF KEENE  
Ionia County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>34 985 55</u>	<u>987 955 58</u>	<u>985 461 97</u>	<u>37 479 16</u>
Total Assets	<u>34 985 55</u>	<u>987 955 58</u>	<u>985 461 97</u>	<u>37 479 16</u>
<u>Liabilities</u>				
Due to other funds	<u>34 985 55</u>	<u>38 189 37</u>	<u>35 598 80</u>	<u>37 479 16</u>
Due to other units	<u>-</u>	<u>949 766 21</u>	<u>949 863 17</u>	<u>-</u>
Total Liabilities	<u>34 985 55</u>	<u>987 955 58</u>	<u>985 461 97</u>	<u>37 479 16</u>

TOWNSHIP OF KEENE  
Ionia County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2004

EXHIBIT F

Cash in bank – beginning of year	<u>34 985 55</u>
Cash receipts:	
Property tax	987 507 90
Interest	<u>447 68</u>
Total cash receipts	<u>987 955 58</u>
Total beginning balance and cash receipts	<u>1 022 941 13</u>
Cash disbursements:	
Township General Fund	35 598 80
Ionia County	415 164 78
Grand Rapids Community College	19 774 18
Ionia County Intermediate S.D.	113 962 10
Kent County Intermediate S.D.	41 952 73
Belding Area Schools	80 200 95
Saranac Community Schools	178 342 36
Lowell Area Schools	92 639 80
Refunds	<u>7 826 27</u>
Total cash disbursements	<u>985 461 97</u>
Cash in Bank – End of Year	<u>37 479 16</u>

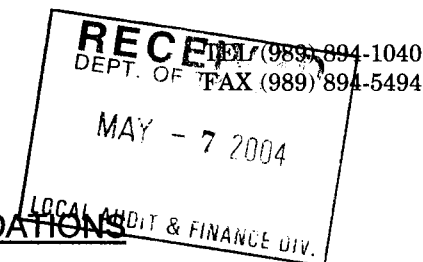
# **CAMPBELL, KUSTERER & CO., P.C.**

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## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**



April 22, 2004

To the Township Board  
Township of Keene  
Ionia County, Michigan

We have audited the financial statements of the Township of Keene, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Keene in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

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For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

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### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Keene will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

#### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants